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GM Turns Up the Heat With Plan to Cross-Sell Some Financial Products Series: 14

VALERIE BLOCK. *American Banker* (pre-1997 Fulltext). New York, N.Y.: Nov 18, 1994. Vol. 159, Iss. 223; pg. 16

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Abstract (Document Summary)

The move, beginning as a pilot test, is the latest ratcheting-up of nonbank competition in an area historically dominated by banks. In this case, [General Motors Acceptance Corp.](#) will be acting in tandem with [Household International's](#) credit card bank, which issues the GM [MasterCard](#) on behalf of the automaker.

A small percentage of the nearly 11 million GM [MasterCard](#) holders will receive mail solicitations for GMAC and Household Bank products, including home mortgages, annuities, home equity loans, and car insurance and leases.

We want "to help (consumers) save money on GM vehicles," said Mr. [Bill Anderson]. "Let the consumer tell us if (the program) shapes their decision about the purchase of a new GM car or truck. If it doesn't, we'd have to consider whether to continue."

Full Text (524 words)*(Copyright American Banker Inc. - Bond Buyer 1994)*

Upping the ante on its rebate incentives, [General Motors Corp.](#) announced a plan to cross-sell several financial products to its credit card customers.

The move, beginning as a pilot test, is the latest ratcheting-up of nonbank competition in an area historically dominated by banks. In this case, [General Motors Acceptance Corp.](#) will be acting in tandem with [Household International's](#) credit card bank, which issues the GM [MasterCard](#) on behalf of the automaker.

Some bankers complain that their regulatory compliance requirements put them at a disadvantage against such

nonbank initiatives. But a General Motors official denied it is doing anything out of sorts.

"We're doing the same thing any other banking organization has done for many years," said Bill Anderson, director of U.S. consumer marketing for the credit card. "In some sense, we are playing catch-up."

A small percentage of the nearly 11 million GM MasterCard holders will receive mail solicitations for GMAC and Household Bank products, including home mortgages, annuities, home equity loans, and car insurance and leases.

Various prices and rebate terms are being tested as well.

Marc Altman, senior vice president of marketing at First of America Bank Corp., Kalamazoo, Mich., said General Motors understandably views consumer credit as "a wonderful market." But, he added, "I have the regulatory burden of compliance reporting that a GMAC doesn't.

"It's much easier for them to do this kind of a program."

Mr. Altman explained that the Community Reinvestment Act requires a significant paperwork investment from which nonbank companies are largely exempt.

Edward E. Furash, chairman of Furash & Co., a Washington-based consulting firm, agreed: "Nonbanks have wider powers to cross-sell (to) customers, with less regulatory interference."

Mr. Anderson said banks are accustomed to competing with each other, and GM adds just one additional element of competition.

He said GMAC and Household already offer the products now being cross-sold. They are trying to add value to the GM MasterCard and build stronger customer relationships.

The tie-in to rebate credits makes this effort unique, said Jack Harvey, group director of GM Marketing at Household Credit Services. "I think other institutions will take note of our pilot and will wait to see the results of this type of offering."

Leon Kendall, professor of finance at Northwestern University's Kellogg Graduate School of Management in Evanston, Ill., called the GM-Household experiment "interesting." But he said that to be more than a niche player, GM has to deliver price and quality as well as rebates.

He drew an analogy to catalogues' competition with traditional retailers: "It will be successful only if it is cheaper, faster, or better."

If the test passes muster after six months, the new features may become standard for all GM MasterCard customers.

The objectives of the pilot include increasing revenue for GM subsidiaries and marketing partners, as well as enhancing customer relationships. But building core product sales remains the primary goal.

We want "to help (consumers) save money on GM vehicles," said Mr. Anderson. "Let the consumer tell us if (the program) shapes their decision about the purchase of a new GM car or truck. If it doesn't, we'd have to consider whether to continue."

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